

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 ARAE-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-02 PRS-01 SP-02

SS-15 USIA-15 ERDA-07 AID-05 CEA-01 COME-00

EPG-02 EB-07 FEAE-00 FPC-01 INT-05 OMB-01 OES-07

STR-04 TRSE-00 ACDA-10 EUR-12 /133 W

-----111697 281441Z /53

P 281322Z JUN 77

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC PRIORITY 8215

UNCLAS CARACAS 6465

E.O. 11652: N/A

TAGS: ENRG, VE (OVIP-CARLOS ANDRES PEREZ)

SUBJ: PRESIDENT PEREZ COMMENTS ON OIL POLICIES

1. SUMMARY. MEETING WITH THE PRESS ON JUNE 26, PRESIDENT PEREZ INSISTED HE WAS NOT GOING TO NEGOTIATE THE DEVELOPMENT OF THE ORINOCO HEAVY OIL BELT DURING HIS IMPENDING TRIP TO THE US OR ANY OTHER TIME, BUT ACKNOWLEDGED THAT FOREIGN TECHNOLOGY FROM ALL QUARTERS WOULD BE USED IN THE EXPLORATION OF THE BELT. HE DEFENDED THE TECHNICAL SERVICE AND MARKETING CONTRACTS SIGNED WITH MULTINATIONAL FIRMS AS NECESSARY AND PROPER, AND SAID THEY IN NO WAY DETRACTED FROM VENEZUELA'S SOVEREIGNTY. HE STRESSED THE IMPORTANCE OF CONSERVING OIL, AND HINTED THAT IF COUNTRIES LIKE THE US COULD NOT LIMIT THEIR CONSUMPTION, OPEC MAY HAVE TO TAKE STEPS TOWARD THIS END. END SUMMARY.

2. PRESIDENT PEREZ HOSTED A BREAKFAST FOR THE PRESS ON SUNDAY, JUNE 26, THE DAY BEFORE HIS DEPARTURE FOR THE US. WHILE HIS COMMENTS RANGED OVER A VARIETY OF SUBJECTS, PETROLEUM, AND PARTICULARLY THE ORINOCO HEAVY OIL BELT, OR FAJA PETROLIFERA DEL ORINOCO, CLEARLY DOMINATED THE DISCUSSION. MONDAY MORNING HEADLINES IN BOTH MAJOR DAILIES PROCLAIMED "WE WILL NOT NEGOTIATE THE DEVELOPMENT OF THE FAJA DEL ORINOCO ON THIS OR ANY

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OTHER TRIP."

3. ASKED ABOUT WIRE SERVICE REPORTS FROM WASHINGTON THAT THERE COULD BE DISCUSSION OF THE JOINT DEVELOPMENT OF THE FAJA DURING HIS US VISIT, PRESIDENT PEREZ REPLIED IN TWO PARTS. FIRST, HE SAID, VENEZUELAN MUST PUT ASIDE THEIR FEELINGS OF INFERIORITY WITH RESPECT TO THEIR ABILITY TO DEAL WITH THE

MAJOR COUNTRIES AND WITH THE LARGE PROBLEMS FACING LATIN AMERICA AND THE THIRD WORLD. HAVING MADE THE DECISION TO NATIONALIZE THE PETROLEUM INDUSTRY, HE WAS NOT ABOUT TO GO BACK EVEN PART WAY ON THIS DECISION.

SECOND,
HOWEVER, HE SAID HE WOULD TALK TO PRESIDENT CARTER ABOUT ALL ITEMS OF MUTUAL INTEREST. HE DID NOT INTEND TO PLACE SOME TOPICS OFF LIMITS, AND WOULD NOT PERMIT PRESIDENT CARTER TO DO SO EITHER.

4. EXPANDING ON THE FIRST OF THESE COMMENTS, PEREZ SAID THAT GIVEN THE CONSERVATIONIST THESIS OF HIS GOVERNMENT, WHICH FOR THE FIRST TIME HAD IMPOSED PRODUCTION LIMITS ON PETROLEUM, HE DID NOT UNDERSTAND HOW ONE COULD THINK THAT HE WOULD BE WILLING TO NEGOTIATE THE DEVELOPMENT OF THE FAJA WITH ANYONE, MUCH LESS SHARE ITS DEVELOPMENT WITH ONE OR MORE COUNTRIES. REFERRING TO A PREVIOUS REMARK THAT THE FAJA SHOULD NOT BE CONFUSED WITH A CHASTITY BELT, HE SAID IT IS NECESSARY NOW TO EXPLORE AND EVALUATE ITS RESOURCES. TO DO THIS, VENEZUELA SHOULD MAKE USE OF ALL AVAILABLE TECHNOLOGY, THAT FROM NORTH AMERICA, FROM EASTERN AS WELL AS WESTERN EUROPE, AND EVEN FROM ASIA. HE SAID THAT IT WAS BELIEVED THAT DEVELOPMENT OF THE FAJA COULD NOT BEGIN FOR AT LEAST 7 TO 10 YEARS, THE TIME NEEDED FOR EXPLO- RATION AND THE DEVELOPMENT OF THE NECESSARY TECHNOLOGY. DEVELOP- MENT WOULD ALSO HAVE TO AWAIT HIGHER PRICES, SINCE IT IS NOT UNCLASSIFIED

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ECONOMICAL NOW. ONE REPORT QUOTED PEREZ AS MENTIONING \$30 PER BARREL AS A PRICE WHICH WOULD MAKE THIS DEVELOPMENT POSSIBLE.

5. COMMENTING ON THE CURRENT CONTROVERSY OVER THE TECHNICAL SERVICE AND MARKETING CONTRACTS SIGNED WITH THE FORMER CON- CESSIONAIRES AT THE TIME OF NATIONALIZATION, PEREZ SAID IT WAS CLEAR THAT VENEZUELA DID NOT POSSESS THE TECHNOLOGY TO EFFICIENTLY DEVELOP ITS PETROLEUM RESOURCES. ALSO, HE NOTED, INTERNATIONAL OIL MARKETS WERE AND ARE CONTROLLED BY THE LARGE TRANSNATIONAL CARTELS AND FIRMS. IN VENEZUELA, HE SAID, THERE HAD BEEN ONLY OPERATING COMPANIES, DIRECTED FROM ABROAD AND BASED ON FOREIGN RESEARCH FACILITIES. VENEZUELA MADE A MISTAKE BY LIVING ON THE RENT FROM THESE OPERATIONS AND NOT DEVELOPING ITS OWN RESEARCH CAPABILITIES AND PROGRAMS.

6. THE CONTRACTS HAD BEEN LIMITED IN THEIR DURATION, NOT BECAUSE THE GOV EXPECTED TO BE ABLE TO FOREGO THIS ASSISTANCE IN A SHORT TIME, BUT TO ALLOW CHANGES TO BE MADE IN THE FEES PAID AND THE EXTENT OF FOREIGN INVOLVEMENT AS VENEZUELANS DEVELOPED CONFIDENCE IN THEIR OWN ABILITIES. THUS, THE GOAL WAS TO ELIMINATE SOME OF THE CONTRACTS AND MODIFY OTHERS. WITH REGARD TO THE MARKETING CONTRACTS, PEREZ NOTED THAT PETROLEOS DE VENEZUELA WAS

SELLING INCREASING AMOUNTS OF ITS PRODUCTION DIRECTLY, AND THAT THESE SALES WOULD CONTINUE TO INCREASE. HE ALSO STATED THAT THESE MARKETING CONTRACTS DID NOT REDUCE THE COUNTRY'S EARNINGS OR DIMINISH ITS SOVEREIGNTY SINCE VENEZUELA ITSELF WAS FIXING THE PRICE ON THESE SALES. HE DESCRIBED VENEZUELA AS A PARTNER OF THE MULTINATIONALS AS A RESULT OF THESE CONTRACTS, AND DEFENDED THE SECRECY OF THESE AGREEMENTS ON GROUNDS OF COMPETITION.

7. PEREZ COMMENTED THAT THE GOV WAS STUDYING THE POSSIBILITY OF GOVERNMENT TO GOVERNMENT CONTRACTS FOR PETROELUM SALES AND DEVELOPMENT. HE MADE CLEAR THAT THE TYPE OF CONTRACT WOULD DEPEND IN PART ON WHETHER THE COUNTRY INVOLVED HAD ITS OWN TECHNOLOGY OR DEPENDED ON THAT OF PRIVATE FIRMS. THUS IN THE CASE OF THE U.S. AGREEMENTS WITH BOTH THE GOVERNMENT AND MULTI-
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NATIONAL FIRMS WERE POSSIBLE, WHILE IN THE CASE OF FRANCE THEY COULD BE JUST GOVERNMENT TO GOVERNMENT.

8. ASKED ABOUT POSSIBLE VENEZUELAN PARTICIPATION IN FILLING THE U.S. STRATEGIC PETROLEUM RESERVE, PEREZ SAID THIS WOULD CERTAINLY BE RAISED IN HIS DISCUSSIONS WITH PRESIDENT CARTER, BUT THAT HE COULD TAKE THE POSITION THAT THE MEMBER COUNTRIES OF OPEC TOGETHER SHOULD DEFINE THEIR POLICY ON PROPOSALS OF THIS TYPE. VENEZUELA WOULD BE WORKING ON A POSITION ON THIS SUBJECT TO PRESENT AT THE OPEC MINISTERIAL MEETING IN JULY, BASED ON THE NEED TO CONSERVE PETROLEUM FOR FUTURE GENERATIONS. IN THIS CONTEXT, HE EXPRESSED CONCERN OVER REPORTS THAT PRESIDENT CARTER'S PROPOSALS TO REDUCE U.S. OIL CONSUMPTION WERE ENCOUNTERING DIFFICULTIES IN THE CONGRESS, AND COMMENTED THAT IT THEREFORE MAY BE NECESSARY FOR OPEC TO TELL THE INDUSTRIALIZED COUNTRIES THAT ITS MEMBERS ARE NO LONGER WILLING TO ALLOW THE CONTINUED WASTE OF THIS INCREASINGLY SCARCE RESOURCE.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
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Copy: SINGLE
Sent Date: 28-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Disposition Event:
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Executive Order: N/A
Errors: N/A
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Office: ACTION ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
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Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
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Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2012279
Secure: OPEN
Status: NATIVE
Subject: PRESIDENT PEREZ COMMENTS ON OIL POLICIES
TAGS: ENRG, OVIP, VE, US, (PEREZ, CARLOS ANDRES)
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/b61b9e73-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009